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Transplanting rice, Thailand

- Crop Losses Abroad Up U.S. Peanut Exports

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This week's cover:

Thai workers transplanting rice seedlings, which have been grown in nurseries and carried in bundles to the fields. Despite stiff competition from Thailand and other rice producing countries, U.S. rice exports so far this marketing year are above those of the previous year. See article beginning page 6.

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U.S. Peanut Exports Rise After Small Crops Abroad

By JAMES F. LANKFORD
Foreign Market Development
Oilseeds and Products
Foreign Agricultural Service

IN A QUICK rebound from their poor showing of 1976, U.S. peanut exports this year will be testing the 1974 record of 258,353 metric tons as foreign buyers turn to the United States to fill gaps left by peanut shortfalls last year in India and South Africa.

At the same time, U.S. peanut exporters are stepping up promotion of their products overseas with the hope of turning this year's marketing opportunity into a permanent gain—a goal that hinges, however, on U.S. prices remaining competitive once foreign production returns to more normal levels. These promotional efforts will focus on Japan and Western Europe, where peanut consumption is still well below that in the United States and where peanut butter—although a staple for millions of Americans—so far has won few fans.

While it is still too early to gage how high U.S. exports of peanuts and peanut products might go this year, they should have little trouble surpassing 1976 shipments of 140,000 metric tons valued at $94 million.[1] That was some $60 million below the $153 million of 1975 and interrupted the sharp upward trend since the turn of the decade.

Last year's setback came as India, having just harvested a record 1975 peanut crop of 7 million tons, turned to the export market to sell unusually large supplies of Hand-Picked Select (HPS) peanuts. Faced with a buyer's market for peanuts at home and a seller's market abroad, Indian exporters were able to deliver HPS peanuts in Western Europe for $600 per ton (shelled), easily underselling comparable U.S. grades by $160-$200 per ton.

In the process, India boosted its earnings from peanuts to over $100 million last year from only $36 million in 1975 and—together with Senegal—replaced the United States as the No. 1 exporter of shelled peanuts.

This advance ended when weather and pest problems that periodically plague India set back the country's 1976 crop to 5.8 million tons—a 17 percent decline from 1975's.

In response, the Indian Government has banned peanut exports beyond 50,000 tons—all now sold—and greatly boosted its imports of vegetable oil to compensate for reduced supplies of peanut oil, and to curb rising domestic prices. Its peanut meal exports also will decline sharply this year—to less than 800,000 tons from the 1.2 million of 1976.

These export curbs have greatly limited India's ability to supply foreign customers' demands, which last year included 36,000 tons of edible peanuts to the United Kingdom, over 4,000 to Japan, and various tonnages to new markets in Iran, Kuwait, Saudi Arabia, and Iraq. In addition, the USSR reportedly has attempted to import 50,000 tons of Indian peanuts, but even in 1976 was able to obtain only about half that amount.

Accentuating this tight supply situation was the virtual absence of peanuts from South Africa by early 1977 as a result of two successive short peanut crops there. The country's peanut crop last year, at only 102,000 tons, was 43 percent below that of 1975 and just a little over a fourth the 1974 level. As a result, South African exports of peanuts in 1976/77 are estimated at only 11,000 tons, compared with 25,845 and 64,092 in the 2 previous years. (A partial rebound to 35,000 tons is seen for 1977/78 shipments.)

Consequently, both Indian and South African customers have turned to the United States this year for peanuts.

The USSR, for instance, is seeking supplies in the United States; the Netherlands and the United Kingdom will divert more business to U S. peanut exporters; and West Germany is seen boosting its imports from the United States to 5,000 tons or more from the 2,583 tons imported in 1976.

Numerous other markets also can be expected to buy more from the United States given competitive U.S. prices and the foothold the United States has in many markets.

Dominant among these markets are the European Community, Japan, and Canada, which together account for around three-fourths of U.S. exports of edible peanuts and peanut products.

Annual U.S. exports to the EC recently have averaged 75,000 tons a year to account for more than 35 percent of total U.S. shipments. Within the Community, the biggest U.S. markets are the Netherlands, taking about 15,700 tons of U.S. shelled nuts in 1976; and the United Kingdom, with 12,250.

Canada is the largest single-country market for U.S. peanuts, with around 90 percent of its yearly imports coming from this country. Its imports of U.S. shelled peanuts since 1970 have ranged from a low of 35,300 tons last year to a high of over 50,000 in 1975.

Japan ranks as the fastest growing U.S. market, with U.S. sales volume there last year tripling the 1974 figure and doubling that of 1975 to total 20,000 tons valued at $20.5 million.

WHILE MANY countries make up the world market for peanuts, they can depend on only a handful of nations for supplies of edible-grade peanuts. In fact, three countries—the United States, India, and Senegal—account for over half of world trade in these nuts.

In its record trade year of 1974, the United States alone supplied 30 percent of world peanut imports of 1.18 million tons, shelled basis. A slight dip in U.S. export value in 1975 was then followed by the sharp decline of 1976, cutting the U.S. share of world trade to 15 percent.

That same year, India and Senegal moved into the top two positions, together holding over 50 percent of world exports. Because of this dearth of suppliers, a poor crop in India, Senegal, or other foreign peanut exporters is immediately felt, as buyers scramble for supplies and prices head upward.

As the world's third largest producer of peanuts next to India and the People's Republic of China, the United States becomes the focal point of demand. And this year, with world peanut prices well above the U.S. support price, a

[1] **Shelled basis. Includes shelled peanuts. ($82 million), unshelled green nuts, and prepared and preserved products. In addition another $3 million worth of peanut butter was exported. U.S. exports of peanut oil and meal, on the other hand, are minimal, since the bulk of U.S. peanuts are high enough in quality to be exported as edibles.**

larger share than usual of the 1.6-million-ton U.S. crop will be exported.

U.S. peanuts are highly competitive in quality, if not usually in price, with foreign production, and exports have shown a sharp and almost-steady gain since 1970—1976 being the major exception. Shipments of shelled peanuts rose nearly tenfold from just over 22,000 tons in 1969 to a peak 227,000 in 1974 and 1975.

One factor behind this export growth has been the changing export policies of West African producers. Until recently, these nations exported mainly raw peanuts. Now, however, they are moving increasingly into the export of peanut products, leaving the raw peanut market to suppliers such as the United States.

Then, too, the U.S. peanut industry is stepping up overseas promotion of its products, working through the National Peanut Council in a cooperative program with FAS.

A particular program goal is to boost use of U.S. peanuts in confectioneries, snack foods, and hors d'oeuvres while acquainting foreign consumers with peanut butter. Main target markets include the United Kingdom, the Netherlands, other European nations, and Japan.

In many of these target markets, per capita peanut consumption runs well below the 4.2 kilograms per person per year recorded in the United States—for instance, 3.2 kilograms in the Netherlands, Europe's biggest peanut consumer, but only 1 kilogram in the United Kingdom and 0.77 in West Germany. The challenge is to find out how peanuts can fit into diets overseas, given the many differences in eating habits and the limited foreign acceptance so far of peanut butter.

Peanut butter is almost unknown in many overseas markets and is largely unappreciated in most others. Part of the problem is that the indigenous peanut butter available abroad often bears little resemblance to the U.S. product.

Perhaps indicative of the potential payoff for this product from promotional efforts is the 2½-year market development program for peanut butter in Japan. The U.S. trade adapted peanut butter to the Japanese taste—sweeter and lighter than the U.S. product—and conducted an intensive promotional campaign. As a result, sales of peanut butter to Japan rose more than fourfold between 1973 and 1975 to about 275,000 kilograms.

Indian Vegetable Oil Imports Heading Toward New Record

By ABDULLAH A. SALEH
Foreign Commodity Analysis, Oilseeds and Products
Foreign Agricultural Service

INDIA, a major exporter of peanut oil in the 1950's and a concessional sales market in the following decade, today is the world's largest commercial market for U.S. soybean oil.

As India buys heavily to compensate for sharp declines in its peanut and other oilseed crops, the United States is gaining a soybean oil market there that could approximate 300,000 metric tons in the 1976/77 marketing year (Oct.-Sept.). This compares with U.S. shipments to India last year of less than 16,000 tons and the previous all-time high of about 149,000 tons in 1968/69.

India is expected to continue as a significant commercial buyer of U.S. soybean oil in 1977/78, although at a somewhat reduced level, even with a return to more normal oilseed harvests.

Besides increasing imports, the country is taking other measures to boost vegetable oil supplies for its consumers and halt the upward spiral in vegetable oil prices. These steps have included pressure from the Central Government on the major oilseed-producing states to expedite the marketing and movement of oils across state lines and approval of direct imports by the private trade through open general import licenses (OGL).

In the 1950's, India was the world's largest exporter of peanut oil, with annual exports ranging between 100,000 and 200,000 tons. But the 1976 peanut crop of 5.8 million tons was 1.2 million tons below that of 1975, contributing to much of India's oil shortage.

Largely as a result of that decline, India's 1976/77 production of oilseeds (including cottonseed, coconuts in terms of copra, and safflower) is estimated at 11.9 million tons, down about 13 percent from the record 13.9 million tons of 1975/76 and 2 percent from the 12.1 million of 1974/75.

In terms of vegetable oil production, the decline from 1975/76 amounts to 203,000 tons, or about 7 percent. This includes decreases of 82,000 tons in production of peanut oil, 75,000 tons in rapeseed and mustard oil, and 60,000 tons in cottonseed oil.

The peanut shortfall was brought about by an inadequate monsoon and by unfavorable, untimely rain. This adverse weather also reduced the cotton crop, which was especially hard hit by three damaging cold waves in some important cotton areas during December and January.

Recent reports from Bombay, the price leader for the Indian fats and oils market, indicate that these crop shortfalls have sent prices for vegetable oils to alltime highs, despite Government efforts to stabilize prices. The current peanut oil price, for instance, remains well above the world level of $895 per ton.

The Government is determined to curb India's inflation rate, and fats and oils account for a significant share of the cost-of-living index. Moreover, India is in an unusually good trade position as a result of comfortable foodgrain stocks, foreign exchange reserves in excess of $3.8 billion, and projected grain imports this year of under 1 million tons, compared with a yearly average of 5 million tons of wheat alone in 1973/74-1976/77.

"The Government is determined to curb India's inflation rate, and fats and oils account for a significant share of the cost-of-living index."

Consequently, the Government is turning to the world market for unprecedented imports of vegetable oils as a means of stabilizing prices and boosting per capita consumption within the country.

Indications are that these vegetable oil imports will total around 500,000-

Much of this information is based on material received from the Office of the U.S. Agricultural Attaché, New Delhi.

550,000 tons in 1976/77. The Government's State Trading Corporation (STC) is expected to handle at least two-thirds of the total to meet the vanaspati industry's requirements. In addition, the private trade has been authorized to import edible oils for direct consumption, and sufficient foreign exchange has been made available to bring in the balance of the planned total imports.

Under the OGL scheme instituted this January, licenses have been issued through March 1978 to allow the private trade a role in meeting household edible-oil consumption requirements and to check the rise in domestic prices. The Government had planned for 175,000-200,000 tons of vegetable oils, including refined oils, to be imported under OGL before the close of 1976/77. However, up to May 19, only about 60,000 tons valued at US$48 million had been imported.

STC imports through April totaled about 300,000 tons, or 37,500 tons a month. Imports probably touched 50,000 tons in May and should continue at this level to the end of the marketing year, to reach the 500,000-ton projection. This total is expected to include about 55,000 tons of U.S. soybean oil supplied under Titles I and II of Public Law 480.

U.S. sales and exports of soybean oil to India for delivery this marketing year (according to the USDA May 15, 1977, "Export Sales Report"), have exceeded 223,000 tons. This quantity includes 38,000 of soybean oil under Title I of Public Law 480, scheduled for delivery by July 31, 1977.

The new Indian Government, meantime, has changed terms of its OGL program somewhat. The measures, announced May 20, are designed to tighten both the issuance and utilization of edible-oil import licenses released under the OGL scheme last January. The new policy aims at continuing the private trade's participation in meeting some of the anticipated shortfall in direct household consumption requirements, while guaranteeing the Government enough supervisory control to prevent abuse of the system. It also is intended as the beginning of a national policy for edible vegetable oils and oilseeds.

As announced, the policy invalidates all edible oil and oilseed import licenses issued to date unless evidence can be produced that they were used within 3 months of the issue date. Actual imports of goods or a firm commitment to do so would constitute such evidence. (A firm commitment to import is defined as having opened an irrevocable letter of credit or any other irrevocable commitment to import.) No extensions of the period for making firm commitments, or in the validity period of the licenses will be granted, except to the extent to which the previous licenses have been utilized by way of actual imports.

". . . India must make available an additional 75,000 to 80,000 tons of vegetable oil each year just to keep up with population growth."

The extent to which licenses will be valid or newly issued for 1977/78 will depend upon the spread between domestic and international prices. As long as this spread remains at or above approximately $230-$250 per ton, scope for additional imports of vegetable oil is foreseen.

If India imports around 500,000 tons of vegetable oils, as expected, its annual per capita consumption of edible vegetable oils will approach 6.1 kilograms, compared with 5.9 in 1975/76. These figures are low compared with those for most neighboring countries, but to maintain even this level India must make available an additional 75,000 to 80,000 tons of vegetable oil each year just to keep up with population growth.

INDIA'S IMPORTS OF VEGETABLE OIL IN 1975/76 AND 1976/77[1]
[In metric tons]

Item	1975/76	1976/77[2]
Soybean oil	100,000	325,000
Palm oil	40,000	75,000
Rapeseed oil	40,000	90,000
Peanut oil	10,000	10,000
Total	190,000	500,000

[1] Year beginning October 1. [2] Forecast.

INDIAN PRODUCTION OF MAJOR OILSEEDS AND VEGETABLE OILS, 1974/75 THROUGH 1976/77[1]
[In metric tons]

Commodity and season	Oilseeds	Vegetable oil
Peanuts (in shell):		
1974/75	5,111	1,310
1975/76	6,991	1,535
1976/77	5,800	1,453
Rapeseed and mustard:		
1974/75	2,252	599
1975/76	1,945	635
1976/77	1,800	548
Coconut:		
1974/75	890	216
1975/76	904	220
1976/77	865	216
Cottonseed:		
1974/75	2,500	170
1975/76	2,250	210
1976/77	2,000	150
Grand total:		
1974/75	12,131	[2]3,187
1975/76	13,610	[2]3,544
1976/77	11,865	[2]3,326

[1] Marketing years for peanuts and cottonseed begin in October; those for coconut, in January; and for rapeseed and mustard, in February.
[2] Includes butter, ghee and minor oils (sesame, flaxseed, castorseed and safflower) at 892,000 metric tons during 1974/75; 944,000 tons during 1975/76; and 959,000 tons during 1976/77.

U.S. Rice Exports Up, Competition Running Strong

By H. LEE SCHATZ
Foreign Commodity Analysis, Grain and Feed
Foreign Agricultural Service

UNITED STATES rice exports through the first 8 months of 1976/77 were running well ahead of those in the same period last season, and for the year are likely to surpass the 2.2-million-ton record set 2 years ago. Despite strong competition from such countries as Thailand and Burma, U.S. shipments to several markets—such as the European Community, Iran, Nigeria, and Liberia—have already surpassed or are expected to surpass last year's totals.

In the first 8 months of the August 1976-July 1977 year, U.S. rice shipments amounted to 1.36 million tons, more than a third above those for the same period of the previous season, when they were only 988,000 tons, but slightly smaller than the 8-month total of 1974/75, when they reached 1.46 million tons. However, 1976/77 shipments are expected to strengthen further during the remainder of the season and will undoubtedly surpass the 1.7 million tons shipped in 1975/76 as well as the 1974/75 record.

Commercial exports of U.S. rice have been particularly strong during the 1976/77 marketing year, a situation that will continue throughout the rest of the season, given the level of outstanding sales and the relatively tight supply situation in other exporter countries. Indonesia has been the largest single export market for U.S. rice during the first 8 months of the marketing year, although shipments to that country were on a noncommercial basis.

Rice exports in the first part of the 1976/77 season received a push from the early scheduling of rice shipments under P.L. 480, Title I. These heavy shipments will play a significant role in achieving the 1976/77 record.

To surpass the 1974/75 record, U.S. shipments will have to average just over 200,000 tons per month for the rest of the year, compared with an average of 169,500 tons per month thus far. However, it seems likely that—given the current level of pending forward sales of rice and expected P.L. 480 activity—the monthly level will be reached and maintained.

U.S. rice exports to the European Community were 156,000 tons in the first 8 month of the 1976/77 marketing year—moving at about the correct monthly volume in that period to match or surpass the 1975/76 record of 233,000 tons.

Last year's EC record came after a falloff in rice purchases in 1974/75, and resulted from a reduced potato harvest and unprecedented exports to Italy of 46,000 tons of rice.

Thus far this season, commercial exports to the Mideast are ahead of last year's as exports to Iran reached 290,000 tons, surpassing the 1975/76 total of only 163,000 tons. Shipments to Iran could possibly equal the 1974/75 record of 451,000 tons.

Iranian port congestion delayed handling of increased imports of rice and other commodities in late 1974/75 and reduced the volume of 1975/76 rice imports. But these difficulties appear to have eased and importer interest in U.S. rice has picked up.

U.S. rice exports to Saudi Arabia of 48,000 tons are off from last year's record-setting pace, but those to the relatively new U.S. market—the Yemen Arab Republic—at 15,000 tons—are helping to bolster U.S. commercial rice sales to the Mideast.

Emerging as the strongest U.S. market in Africa thus far this season, Nigeria has taken about 68,000 tons of U.S. rice so far in 1976/77, slightly more than South Africa's 62,000 tons. South Africa historically has been the largest U.S. rice market in Africa, but its imports so far are slightly below the level for the same period a year ago.

Liberia is also a sizable importer of U.S. rice. U.S. rice exports to that country—of about 28,000 tons thus far—already surpass last year's.

U.S. rice exports to the Caribbean are progressing well this season—totaling 22,000 tons, compared with the 15,000 tons for the same period last year. Lower rice shipments from Guyana and Colombia have helped improve the export potential for U.S. rice in the area.

U.S. rice exports to Indonesia, of 351,000 tons, have accounted for 26 percent of total U.S. exports thus far this year. Indonesian rice imports from all sources in 1977 are projected at about 1.4 million tons, compared with an estimated 1.3 million tons in 1976. Domestic rice production could rise in 1977, but it is unlikely that Indonesia's import needs will be reduced.

Thailand, the largest and most active U.S. competitor, has set an export target of only 1.1-1.4 million tons in 1977, compared with actual exports of 1.87 million in 1976. (U.S. exports during calendar 1976 were about 2 million tons.)

Behind Thailand's reduced 1977 export target are smaller stocks at the end of a very active 1976 export season and reduced 1976 production of 15 million tons, compared with a 15.2-million-ton 1975 crop.

To insure a stable export market, Thailand is working with other members of the Association of Southeast Asian Nations (ASEAN) to sign long-term contracts with rice importing members. About one-third of Thailand's projected annual rice exports reportedly will go to its ASEAN partners. Reportedly, these export targets include shipments of 300,000 tons to Indonesia, 100,000 to Malaysia, 50,000 to the Philippines, and 45,000 to Singapore.

PRELIMINARY DATA indicate that actual shipments in 1976 to other ASEAN countries were: 526,000 tons to Indonesia, 116,000 to Malaysia, 55,000 to the Philippines, and 185,000 tons to Singapore. These shipments amounted to 47 percent of Thailand's rice exports.

Rice with 5 percent (or less) brokens accounted for about 320,000 tons of the total, with Hong Kong, Singapore, and Iraq taking the bulk of such shipments. Just over 780,000 tons consisted of 10-25 percent brokens, most of it going to Indonesia, Malaysia, and the People's Republic of China (PRC). Exports to the PRC reportedly were the result of an arrangement whereby PRC crude petroleum was traded for 200,000 tons of Thai rice. About half of the traded total was shipped to Sri

Lanka. Thai parboiled rice exports of just over 300,000 tons went to Mauritius, Bangladesh, and various African and Red Sea destinations.

Unless the 1976 Thai rice crop turns out better than currently estimated—thereby boosting the amount available for export—it appears unlikely that Thailand's 1977 foreign sales will be over 1.4 million tons, even if prices firm later in the year.

Thailand's 1977 export commitments already are reportedly over 1.2 million tons. Shipments of at least 400,000 tons are expected to go to Indonesia, 156,000 to Sri Lanka, 110,000 to Malaysia, 100,000 to Senegal, 60,000 to Singapore, and 50,000 tons each to Mauritius and the Philippines.

Pakistan has recently begun to compete with the United States for rice sales to Asian and Mideast markets. It is able to ship substantial quantities of high-quality basmati rice, as well as low-quality parboiled and broken coarse rice, varieties. Pakistan's basmati rice competes strongly in most Mideast countries with U.S. No. 2, 4-percent-broken long-grain rice.

For the 12-month period ending July 1976, Pakistan exported 236,000 tons of basmati. Major destinations were: Iraq (68,000 tons), Saudi Arabia (53,000), and Kuwait, (46,000). Pakistan usually has about 250,000 tons of basmati available for export, from an annual production of 700,000 tons.

Coarse rice exports during the same 12-month period were 526,000 tons. Major destinations, with totals in metric tons, were: Sri Lanka, 123,000; Senegal, 84,000; Bangladesh, 50,000; Indonesia, 37,000; Turkey, 33,000; and Romania, 22,000.

Projected at about 725,000 tons, calendar 1977 exports are likely to be considerably below the estimated 912,000-ton level of calendar 1976.

Although Pakistan's 1976 rice crop was damaged by unseasonal rains and flooding, carryover stocks from previous harvests are expected to be adequate to allow exports of slightly over 700,000 tons in the current July-June marketing year. This amount is only slightly less than the 1975/76 level of 762,000 tons.

Recent reports have indicated, however, that internal handling and milling difficulties are likely to restrain exports during the first half of 1977, which could further reduce the export estimate for the year.

Top, rice growing between coffee trees in Paraná, Brazil; above, California milled rice for export. U.S. rice exports so far this year have been ahead of last year's.

Pakistani export commitments for basmati rice in 1977 reportedly include 80,000 tons to Iraq and 10,000 tons to Bahrain. Coarse rice commitments reportedly include 157,000 tons of parboiled rice for Sri Lanka, 40,000 for Indonesia, 5,000 for Yugoslavia, and some 30,000 for Turkey under a recently signed agreement whereby Pakistan will supply all of Turkey's annual rice import needs.

Rice exports are a valuable foreign exchange earner for Pakistan and, even given the reduced 1976 crop, Pakistan's Rice Export Corporation can be expected to export rice aggressively in 1977, especially into Mideast markets.

Although a major rice exporter in the early 1960's **Burma's** consumption increases have outpaced those of production by a considerable degree. Burma's rice exports fell to a low of 133,000 tons in 1973, but recovered to 633,000 tons last year. Major destinations in 1976 reportedly included Sri Lanka, Indonesia, Vietnam, and the EC, which imported mostly broken rice.

Burmese exports for 1977 are projected at about 600,000 tons, but little is known about possible destinations outside of traditional markets such as Indonesia, Sri Lanka, and Vietnam.

Brazil is likely to be a significant exporter of rice in 1977 and a strong competitor in European markets. Estimated record outturn of 8.5 million tons of paddy from the crop harvested in the spring of 1976 has resulted in accumulation of a 1-million-ton rice stock. Prospects for the spring 1977 harvest indicate a likely reduced output of 7.8 million tons of paddy, owing to reduced sowings in several States.

Brazil's rice consumption increased rapidly during the most recent April-March marketing year and is expected to continue to expand in the current year, but stock levels—are expected to remain at about the same level or grow slightly in the current year.

Rice exports by Brazil in calendar 1976 were an estimated 76,000 tons, but are projected to increase to as much as 450,000 tons in 1977. The possibility of a larger stock will probably cause a strong export push.

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1977 Slowdown Hinders Canadian Agriculture, Following Sharp Expansion Last Year

CANADIAN AGRICULTURE—along with the overall economy—expanded last year, but appears headed for a slowdown in 1977. The country's record 1976 wheat harvest of 23.5 million metric tons occurred when Canadian and world stocks were low. However, the world's current bumper wheat crop has led to weakening of wheat prices from historic highs a few years ago. As a result, Canada's wheat area and production during the 1977/78 season are expected to decline sharply.

Last year, Canada's Gross National Product (GNP), in real terms, rose 4.7 percent, an improvement over the 0.6 percent growth in 1975. And the country's foreign trade, on a balance of payments basis, reached record highs. However, growth of the economy this year is projected at only 3 percent, which is expected to push unemployment up to 7.9 percent, compared with 7.2 percent in 1976.

The Anti-Inflation Board (AIB), created in the fall of 1975 when Canada adopted wage and price controls, was partly responsible for cutting the inflation rate to 7.6 percent last year from 10.8 percent a year earlier. The Government has indicated that the AIB will remain in force at least through 1977.

On a darker note, net farm income this year is projected to slip 24 percent, compared with a 21-percent drop last year. This 1977 decline would result largely from an expected decrease of 10 percent in farm crop revenues and a 5 percent increase in operating costs.

Canada's total 1976 exports expanded 14 percent to $38 billion, with exports to the United States responsible for about 84 percent of this growth. Canadian agricultural exports totaled $4.2 billion, up 3.4 percent from a year earlier. U.S. farm imports from Canada rose 22 percent to $600 million.

Major U.S. agricultural imports from Canada in value were: Live animals (except poultry), $135.4 million; grains and preparations, $95.7 million; and meats and meat products, $80.9 million.

On the other hand, Canada's total 1976 imports increased only 8.5 percent to $36.9 billion, leaving a trade surplus of $1.1 billion, compared with a $639-million deficit in 1975. Canada's agricultural imports rose 7.6 percent in 1976 to $2.87 billion. Of this total, approximately $1.5 billion worth came from the United States—a gain of 15 percent from the previous year.

Leading U.S. farm exports to Canada were: Fruits and preparations, $289.3 million; oilseeds and products, $237.6 million; vegetables and preparations, $213.2 million; meats and meat products, $158.3 million—plus poultry and poultry products, $53.4 million; and grains and preparations, $141.3 million.

Grains. Following the 1976/77 record wheat harvest, Canada's 1977/78 outturn is expected to fall to about 16.3 million tons, slightly below the 1975/76 level. Wheat area this season is projected at 10 million hectares, a drop of 10 percent from last year's. Of this area, about 9.0 million hectares were sown to Canadian Western Red Spring Wheat—600,000 hectares below last year's level. The reduced wheat area is largely attributed to a further accumulation of stocks on farms and the diversion of some land to other crops and to summer fallow.

Also, last season's bumper crop was grown mostly on residual soil moisture, but the current crop may have to rely on rainfall during the growing season. Thus, wheat yields are projected conservatively at 16.3 quintals per hectare, down from 21.1 last season.

Wheat exports during 1976/77 (August-July) are unlikely to exceed the 12.2-million-ton level of 1975/76—a year that was nearly ideal for exports, except for the fact that Canada's wheat stocks were reduced to about 8 million tons, the lowest since 1952.

Durum wheat exports are projected to drop from 1.7 million tons in 1975/76 to about 1.3 million this year because of improved crops in other traditional wheat areas of the world. Canada's wheat exports in 1976/77 include the customary 500,000 tons wheat equivalent of flour sold mainly to the Soviet Union for shipment to Cuba. Wheat sales or commitments include 500,000 tons to Egypt and 1.4 million tons (plus 900,000 tons of feed barley) to Japan. Since December 1976, Canada has sold almost 5.8 million tons of wheat to the People's Republic of China; all but about 2.0 million tons is expected to be delivered in calendar 1977.

ALTHOUGH barley area in 1977/78 will probably expand modestly to about 4.85 million hectares, production is pegged at about 10 million tons, slightly under the outturn of the last year. Record yields of 23.7 quintals per hectare produced a harvest of 10.3 million tons in 1976/77. As a result of this large crop, 1976/77 exports are expected to be again in the range of 4 million tons. Average yields of the 1977/78 crop are expected to drop to 20.6 quintals per hectare.

Canadian grain corn production, concentrated in southwestern Ontario, is expected to drop 100,000 tons to about 3.6 million in 1977/78. During the past several years, grain corn area has expanded steadily and is expected to show another increase in 1977/78 to 710,000 hectares, a gain of 35,000. In addition to grain corn, fodder corn area totaled 421,000 hectares in 1976/77, resulting in an outturn of 13.7 million tons.

Canadian imports of U.S. corn during the first 4 months of this crop year totaled 190,700 tons, more than twice the volume during the same year-ago period. Corn exports during these 4 months amounted to 139,000 tons, with virtually all sold to the USSR for shipment primarily to Cuba.

Fruits and vegetables. Potato production in the 1976/77 crop year (July-June) is estimated to rise more than 20 percent to about 2.6 million tons. For the first 6 months of the current season, Canadian seed and table potato exports reached 207,000 tons, compared with the 138,000 tons shipped during the entire 1975/76 crop year. Besides shipments to Japan, Greece, and Italy, fresh and processed potatoes are being exported to France, West Germany, and the Netherlands, areas where last summer's drought reduced potato output. The United Kingdom is drawing heavily on

processed potato supplies from Canada.

Projections for 1977 point to a sharp recovery in Canada's output of apples, pears, and peaches following shortfalls in 1976. The 1977 apple crop is placed at 443,000 tons, compared with an estimated 398,000 tons last year. Then, production fell 14 percent from 1975's total because of weather-affected shortfalls in Ontario and Quebec Provinces. Pear production in 1977 is expected to rise about 21 percent to 36,000 tons after dropping 23 percent last year to only 29,600 tons. Poor spring weather reduced Ontario's output by about 60 percent and accounted for most of the 1976 decline. Peach production is predicted to climb about 8 percent in 1977 to 54,400 tons, up from an estimated 50,400 in 1976. This year's grape crop is expected to equal or surpass last year's high volume of 85,000 tons.

Oilseeds. Rapeseed, a recent "Cinderella" crop, lost some of its aura in 1976/77, but may recover somewhat in 1977/78. Production plunged from 1.7 million tons in 1975/76 to 930,000 tons last season as area dropped sharply, down 54 percent to 800,000 hectares. The current crop is expected to total about 1 million tons, from 1 million hectares.

CANADIAN plant scientists have been remarkably successful in virtually eliminating the erucic acid content in rapeseed. Moreover, research continues with the promise of eliminating the toxic glucosinolate content from rapeseed meal. This means that within a few years, Canadian rapeseed oil and meal will be fully competitive with U.S. soybean oil and meal, once yellow seed-coated varieties are developed that are free of toxic elements and low in fiber. The yellow seed coat—as opposed to the common brown-to-black seed coats—is thin, light, and low in fiber. The resultant meal, free of toxin and low in fiber, would then be suitable for unrestricted use in animal feed.

Soybeans are grown mainly in southern Ontario because of the length of the season required for the crop—an extremely important cash crop in this area. The 1977/78 production should increase to 330,000 tons as planted area increases about 10 percent above that of a year earlier. That year, output fell 31 percent to 252,000 tons, largely because of reduced area and yields.

Flaxseed production is centered in Manitoba, which accounts for almost two-thirds of Canada's total output. Here farmers like to grow flaxseed as a cash crop, especially in years when wheat exports are down. Production in 1977 is expected to reach 369,000 tons, an increase of 24 percent from last year's crop when output plummeted 33 percent to 297,000 tons. Current flaxseed area is projected at 485,000 hectares—up 37 percent from that of a year earlier.

Livestock, dairy, and poultry. The Government's livestock policy has concentrated on the beef industry in recent years. This approach is continuing into 1977. Canadian beef producers have experienced difficulties over the past 3 years and cattle industry spokesmen have criticized Government policy for its "rescue type" programs in lieu of establishing a long-term goal. The direction in which Canada's domestic livestock policy is headed remains unclear.

Overall, beef and veal output in 1977 is expected to decline 4 percent from the 1976 level of 1.16 million tons, carcass weight equivalent (cwe). Last year's total represented a 10-percent increase from 1975, with the high rate of female cattle slaughter contributing significantly to this rise. Cattle numbers on January 1, 1977, were 13.2 million head, down 4 percent from a year earlier. Then, the cattle inventory registered a 2-percent decrease, the first decline since 1968.

As female cattle slaughter rates begin to subside in 1977, steer slaughter is expected to increase. Thus, total beef output in this year's first half is unlikely to fall too far below year-earlier levels. By this autumn, the smaller 1976 calf crop will be reflected in fewer marketings of slaughter type cattle. With a reduced calf crop, commercial calf slaughter in 1977 is expected to fall 28 percent or more below 1976 levels, totaling about 700,000 head.

In December 1976, an announcement was made that total beef and veal imports into Canada during 1977 would be limited to 65,658 tons, product weight. Allocation of the import levels were: New Zealand, 27,511 tons; Australia, 26,921 tons; and the United States, 11,227 tons. At the same time, it was announced that Canadian exports of beef and veal to the United States would be held to 34,020 tons.

Pork production, which dipped nearly 4 percent last year, is predicted to rise 6 percent to 505,760 tons as slaughterings increase about 10 percent during this year's first half. Hog numbers at the beginning of the year stood at 5.6 million head, up 3 percent from a year ago. U.S. pork exports to Canada more than doubled in 1976 to 72,605 tons as Canada remained a net importer of pork.

Total mutton and lamb output in 1976 is estimated at 8,120 tons, slightly below year-earlier levels. As sheep numbers continue to decline, Canada becomes more dependent on imports of live U.S. sheep and lambs for slaughter supplies. This trend should continue this year.

Early forecasts of Canada's poultry production point to a 2-percent gain from 1976 to 466,000 tons. Broiler production, increasing nearly 14 percent last year, is expected to increase slightly to 331,000 tons this year. A downturn is projected in imports of U.S. chicken, which reached a record 24,300 tons last year.

Government programs control both egg and turkey production. For 1977, the turkey production quota is set at 94,300 tons, up 4 percent from 1976 when output reached only 90,000 tons. The higher quota this year should help reduce imports of U.S. turkey, which registered a record 7,100 tons in 1976. Egg production may continue to be fairly stable in 1977 with only a marginal increase to 443 million dozen. Canada's shell egg imports reached an estimated 248,988 cases of 30 dozen, virtually all from the United States.

Canada's dairy sector has the longest history of supply management, which still has not prevented wide swings in production, utilization, prices, and surpluses. Shortfalls in 1974 led to a runaway 1975 production, which was cut back by restrictive governmental policies last year. For 1977, there appears to be no slackening of Government intervention.

Milk production in 1976 was 7.7 million tons, slightly under 1975's level. Cow numbers as of July 1, 1976 were about 2 million head, down 4 percent from a year earlier. Butter outturn decreased 14,000 tons to 114,000 tons as a Government program, adopted in November 1976, helped divert industrial milk from butter to cheese production. As a result, cheese output rose 7 percent to 128,000 tons and nonfat dry milk output dropped 16 percent to 158,000 in 1976.

—Based on report from
Office of U.S. Agricultural Attaché, Ottawa

Potential for U.S. Tallow Exports to Latin America

EXPORTS OF U.S. tallow and grease to Latin America face mixed prospects in the near future, for although potential exists in all four of the countries—Brazil, Mexico, Colombia, and Venezuela—visited by a team of marketing specialists [1] last fall, lack of available foreign exchange and/or import restrictions currenty limits sizable shipments to these countries.

In all four countries, tallow is used primarily for laundry and toilet soap manufacture, with some countries also using it in manufacturing of margarine. All four countries are using tallow to a limited extent in feed manufacture; however, in most countries, the tallow-corn price relationship favors the use of corn, since it is often subsidized by the government.

Pollution of rivers and lakes by phosphate-petrochemical based detergents appears to be a concern in all four of the countries visited. This situation could possibly open a market for tallow-based detergents, which are biodegradable and nonpolluting. One soap manufacturer in Venezuela expressed sufficient interest in tallow detergents to ask for details on production techniques.

But the overriding handicaps to tallow imports by all countries visited are high import duties and/or the lack of foreign exchange.

For example, in Brazil, in addition to the normal duty of 55 percent on tallow imports, the Government requires a prior deposit equal to 100 percent of the import value, to be held for 12 months without interest. Coupled with the country's 30-40 percent annual inflation rate, the cost of using imported tallow in Brazil soon accrues to twice the cost of the raw material.

Brazil. This country is fighting two economic enemies—inflation and a balance-of-trade deficit. Consequently, import permits are difficult to obtain and U.S. exports of tallow to Brazil have plunged from 62,234 metric tons in 1974 to 1,559 tons in 1976.

Brazil produces very little edible tallow—roughly 4,000 tons—but inedible tallow output averages between 250,000 and 280,000 tons annually. Nearly all of this tallow goes into the country's low level of soap output—roughly 400,000 tons annually.

Domestic tallow, although expensive, owing to a relatively small supply, is available and apparently able to satisfy Brazil's constrained market.

Brazil's sizable tallow production in 1976—near the top of the 280,000-ton range—may be the temporary result of high cattle slaughter rates. Nevertheless, one manufacturer thinks there will be an increase in phosphate-petrochemical detergent output—20 percent annually—and in tallow production that will eventually free Brazil from the need to import tallow.

One meat packing company in Brazil has begun efforts in the production of "boxed beef," which will provide more fat trimmings and, consequently, more tallow for the company. This same company is also heavily involved in the expansion of cattle production, particularly in Mato Grosso.

It is anticipated that eventually 90 percent of the area's meat production will be exported from this area. Slaughtering facilities, while currently insufficient, are being planned.

Roughly 70 percent of animal feed output in Brazil is for poultry, with the balance distributed through other animal categories. While about 5 percent of Brazil's feed manufacturers are using some fat in feeds, most of it is vegetable oil such as soybean oil. Soybean production has become a national program and the Government is constructing port facilities and crushing mills to expand output and exports. Soybean production in 1977 is expected to total 12.0 million tons.

In addition, the reality of subsidized corn selling at 1 cruziero and heavily taxed tallow at 6-7 cruzieros per kilogram makes tallow used in feed uneconomical.

Colombia. There is definitely a steady market for U.S. tallow exports to Colombia during the next 2 years. Windfall coffee export earnings have provided ample foreign exchange, and substantial imports of tallow appear secure.

U.S. tallow exports to this market rose from 30,590 tons in 1975 to just over 46,000 tons—valued at $15.6 million—in 1976. Since practically all of Colombia's 22,000 tons of domestic tallow production is going for human consumption, the soap industry depends on imports.

Currently, the domestic price of tallow for edible use is roughly equivalent to the price soapers are paying for imported tallow. And while the tallow business from the United States is a welcome item, more business is done in other fats and oils. The tariff on tallow is essentially 25 percent, while the tariff on coconut oil is only 1 percent, favoring imports of the latter for soap manufacturing.

Colombia currently produces an estimated 100,000 tons of laundry bar soap and 10,000 tons of toilet soap annually. No powdered soap is produced. Detergent production is now 45,000 tons per year, having had a rapid growth period during 1972-75 that slowed somewhat in 1976, owing to increased prices for imported alkylate.

Water pollution in Colombia is extensive, and it was suggested to the Government and to the industry that the use of tallow detergent might be worth considering, particularly in light of a new environmental code just proposed to the Government.

Major feed manufacturers in Colombia are in favor of adding animal fat to feed but, owing to the 25-percent import duty, find it uneconomical. The industry has the technology and the willingness to use tallow in feeds. About 1 million tons of animal feed are pro-

U.S. EXPORTS OF TALLOW TO SELECTED COUNTRIES, 1974-76

Country	1974		1975		1976	
	1,000 tons	*Mil. dol.*	*1,000 tons*	*Mil. dol.*	*1,000 tons*	*Mil. dol.*
Brazil	62,234	31	40,824	15.03	1,559	0.628
Columbia	30,346	12.5	30,590	10.36	46,212	16.56
Venezuela	15,558	7	13,442	4.55	17,505	6.65
Mexico	49,125	23.3	30,890	12.28	26,123	9.89

[1] **Team members included Nick Havas, FAS livestock marketing specialist; John H. Haugh, National Renderers Association (NRA) executive board; and Dr. Juan Amich-Gali, NRA consultant.**

duced annually in Colombia, but prices are quite high.

The corn-tallow price relationship currently is 6:21, but could be reduced to 6:15 if the Government would import feed-grade animal fat as a necessary feed ingredient, which carries a very low rate of duty. This could boost U.S. tallow exports to the country.

Venezuela. Of all the countries visited by the marketing team, Venezuela seems to be the most secure market for U.S. tallow exports. U.S. shipments there rose to 17,505 tons—valued at $6.6 million—in 1976 from 13,442 tons a year earlier, primarily for use in the soap industry.

Sampling industry opinion, it appears there is no visible self-sufficient future for Venezuela's fats and oils production, certainly not for that of tallow. The United States, as a result, can expect to continue doing good business there as long as Venezuela accrues export earnings from petroleum.

Major feed manufacturers—producing 1.3 million-1.5 million tons annually—are using animal fat in feed, although at only about 1 percent, compared with up to 5 percent or more in the United States. There is no import of feed-grade animal fat at this time. However, as feed production continues to expand to accommodate the tremendous increase in chicken production, imports of this item may become necessary.

Mexico. Shippers of U.S. tallow to Mexico face a dilemma—while there is definitely a need for tallow, both for feed manufacturing and for margarine production, the devaluation of the peso has made large-scale exports to the country somewhat uncertain. Import licenses are not issued readily.

Increasing exports of U.S. tallow from the 26,123 tons exported in 1976 depends mainly on persuading CONASUPO, a Government agency that handles all tallow imports, to give favorable prices to feed compounders, by reducing its markup of tallow to users from the current level of 50-60 percent.

Mexico's minimum annual tallow needs seem to be in the range of 30,000-40,000 tons, particularly since there is a shortage of coconut oil, and domestic tallow goes into edible consumption. CONASUPO has been advised that certain categories of imported tallow for margarine production could be an economical supplement to domestic tallow.

World Sugar Conference Closes Without Agreement

The United Nations-sponsored conference to negotiate a new International Sugar Agreement (ISA) ended on May 27 without resolving a number of key issues. Provision was made to continue work at a meeting in London in July, and a possible second session of the conference in the fall in Geneva.

At the closing session of the conference, the U.S. Delegate, Assistant Secretary of State Julius Katz, made a statement outlining the United States position relative to any new ISA. The following is excerpted from Secretary Katz's statement.

It is a matter of special regret for my delegation that after 6 weeks of uninterrupted negotiation, preceded by a great deal of preparation, that this conference must be suspended without concluding an International Sugar Agreement.

I would like briefly to set out my impressions of the problems we face. There is a general impression that our efforts broke down over the issue of stocks and the associated question of the financing of stocks. I believe that this is a superficial view and that the cause is more fundamental.

I would like to restate briefly the kind of agreement we are prepared to see. In our view an ISA should sek to stabilize prices around a 10-cent price range. The price defense mechanism should utilize both stocks and export quotas. Export quotas based upon realistic and annually reviewed export shares should be used at the lowest end of the price range when production exceeds demand.

Stocks should be accumulated at such times both to buttress the defense of the minimum price as well as to protect the maximum price. If stocks are to be effective as a price regulator, they should not merely be symbolic, but should be at a level adequate to perform the economic function designed for them. We are prepared to see some portion of the stocks financed internationally and we are prepared to contribute our fair share to meeting the carrying costs.

Several objections have been raised to the concept of stocks:

- They are not needed.
- They overhang the market and thus act as a price depressant.
- They help only importers and therefore importers should pay for them.
- There has not been enough time to consider the issue.

I would like to address these points:

First—They are not needed. Not only are they needed, but they are essential to defend the maximum prices. Without adequate stocks, the agreement would be asymmetrical and therefore unacceptable.

Second—Stocks would be a price depressant. This is a fundamental misconception based upon unwarranted fear. When prices are low the accumulation of stocks would act to support prices. They would then be put under lock and key and sterilized until prices reach the highest end of the bracket to support the maximum price objective. Thus sterilized, they do not overhang the market.

Third—Only importers benefit from stocks and they should therefore pay for them. Not so! Stocks should be regarded as an investment, not only in price stability, but as an investment in a commodity. We are convinced that the acquisition costs and carrying costs would be more than compensated for by the eventual selling price. The stock scheme would be premised on the classic principle of "buy cheap-sell dear." Financing cannot therefore be an obstacle to the stock mechanism.

But do importers alone benefit from stocks? Do not producers have an interest in avoiding high prices? Just as consumers have a long-term interest in avoiding excessively low prices? It is not malevolence, but economics that cause overproduction of sugar and new technology in substitutes.

Fourth—Lastly, we were told 6 weeks ago and 6 days ago that there was not enough time to consider a stocks plan. The obstacle to stocks is not the lack of time; rather it is a deep-rooted reluctance to consider the use of stocks as a mechanism. Unless we are prepared squarely to face the issue of stocks, our future effort will in the end prove to have been in vain.

I would like to emphasize that there are other important unresolved issues, including the critical issues of market shares and the treatment of special arrangements. Clearly no agreement can be reached until these issues are resolved.

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New CCC Export Credits Valued at $58 Million

Export credit sales having a total value of $58 million were approved during April 20-May 11 for USDA's Export Credit Sales Program. All shipments must be complete by August 31.

A $24 million line of credit was extended to Pakistan for sale of about 35,000 tons of U.S. soybean oil. Financing is to extend over a 3-year period.

A $22.5 million line of credit for Syria covers purchase of about 111,000 tons of wheat and 75,000 tons of wheat flour with a total value of $11.8 million, 15,000 tons of rice valued at $5.3 million, 10,000 tons of corn valued at $1.1 million, and 5,000 tons of vegetable oil valued at $4.3 million. Three-year financing is authorized.

An $8 million line of credit for Nigeria is to finance export sales of 84,300 tons of U.S. grain sorghum and/or 75,000 tons of corn. Terms provide for 1-year financing.

A $2.4 million line of credit was approved for New Zealand to cover export of about 544 tons of U.S. tobacco. Terms provide for 6-month financing.

An $850,000 line of credit was established for the Republic of South Africa to cover export of about 500 tons of U.S. edible soy protein. Six-month financing is called for.

A $250,000 line of credit for Honduras is to finance sale of about 2,000 tons of U.S. wheat. Two-year financing is authorized.

Poland was informed that shipments under its existing $40 million credit to purchase U.S. wheat must be completed by August 31.

The delivery period for South Korea's $2.5 million line of credit to finance purchases of U.S. breeding cattle has been extended from June 30 to December 31.

CCC credit provides short-term commercial financing for periods of from 6 months to 3 years. Current interest rates for 6- and 12-month repayment periods are 6 percent with a U.S. bank and 7 percent with a foreign bank guarantee.

U.S. commodities currently eligible for CCC export financing are almonds, barley, breeding cattle and swine, corn, cotton, cottonseed oil, dry edible beans and peas, dried whey products, eggs (dried, frozen, and canned), hog grease, nonfat dry milk, oats, peanut oil, poultry (canned and frozen), milled and brown rice, sorghum, sunflowerseed oil, tallow, wheat and wheat flour, soybean oil, and edible soy protein.

U.S. Rice Exports

continued from page 7

In the April 1976-March 1977 marketing year, 40,000 tons of estimated exports of 190,000 tons consisted of rice imported by Brazil from Uruguay and Colombia in 1975 and sold at a loss in 1976. About 30,000 tons of broken rice were exported by private traders without Government assistance.

The Interbrás exports were of good-quality rice sold with a reported direct subsidy and were from stocks acquired by the Rio Grande do Sul Rice Institute (IRGA). About 80,000 tons of good-quality rice were scheduled for shipment to the Soviet Union. Other destinations included Poland, Nigeria, and Angola.

It is likely that Brazilian rice prices in 1977 will remain above those on world markets and that exports may again require some Government aid.

Rice exports in 1977 by **other U.S. competitors**—including Italy and Australia—are expected to change only moderately from previous year's levels. A record Australian crop of 520,000 tons will make available about 50,000 more tons of rice, but this will probably be exported to traditional markets in New Guinea and Indonesia.

Tentative trade reports indicate that the PRC reduced its rice shipments in 1976 to about 1 million tons, down from the estimated 1.5 million tons in 1975. Exports during 1977 are projected to drop further—to 900,000 tons.

World import demand in 1977 is expected to remain about the same as the 8 million tons preliminarily estimated for 1976, compared with 7.2 million a year earlier; 1976/77 world rice production—at 444 million tons—is down from the 1975/76 record outturn of 352.4 million tons. However, the production shortfall is in countries that do not normally import rice.

CORRECTION: June 6, 1977, page 5, "Green Coffee Prices Fall . . . But Worst May Not Be Over," line 1 of the second column: $2.63 million should read $2.63 billion.

*U.S. GOVERNMENT PRINTING OFFICE: 1977 241-410/35 1-3